UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

TAKE2 TECHNOLOGIES LIMITED, et al.,

Plaintiffs,

v.

PACIFIC BIOSCIENCES OF CALIFORNIA INC,

Defendant.

Case No. 5:23-cv-04166-EJD

ORDER GRANTING IN PART MOTION TO DISQUALIFY

Re: ECF No. 75

Plaintiffs Take2 Technologies Limited ("Take2") and the Chinese University of Hong Kong move to disqualify the entire in-house legal department at Defendant Pacific Biosciences of California ("PacBio"). ECF No. 75 ("Mot."). The Court heard oral arguments on October 26, 2023. Based on the submitted arguments and evidence, the Court GRANTS IN PART Plaintiffs' motion and ORDERS the parties to meet-and-confer as to the appropriate scope of relief.

I. BACKGROUND

Prior to August 2022, Ms. Yang Tang was employed as an attorney at Perkins Coie, the law firm that is presently representing Plaintiffs Take2 Technologies Limited ("Take2") and the Chinese University of Hong Kong. Decl. Michael J. Wise ("Wise Decl.") ¶ 2, ECF No. 75-1. Between April and July 2022, Ms. Tang billed over 65 hours on behalf of Take2, including preparation for the present lawsuit and evaluating the '794 Patent-in-Suit. *Id.*

In August 2022, Ms. Tang departed from Perkins Coie and accepted employment as a senior intellectual property in-house counsel at Defendant Pacific Biosciences of California. Decl. Yang Tang ("Tang Decl.") ¶ 5, ECF No. 84; Wise Decl. ¶ 4. Before accepting the PacBio offer,

Ms. Tang informed Perkins Coie of the offer, indicated that she would not be involved on any Take2 matters, and consulted outside counsel before accepting the offer. Tang Decl. ¶¶ 6–7.

Approximately three months later, on December 14, 2022, Plaintiffs filed the present infringement action against PacBio in the District of Delaware. ECF No. 2. A few weeks later, Plaintiffs' counsel sent a letter to Defendant's litigation counsel, flagging Ms. Tang's conflict and requesting confirmation of proper ethical screening within PacBio. Wise Decl., Ex. A ("Dec. 30 Letter"). In response, PacBio's counsel confirmed—in a letter signed and certified by PacBio's general counsel and Ms. Tang—that PacBio's general counsel had instructed the company's legal department that Ms. Tang was not to work on or discuss any Take2 matters. Wise Decl., Ex. B ("Jan. 24 Letter"). In addition to the written instructions, PacBio maintains a restricted document repository relating to the Take2 matter that Ms. Tang cannot access and affirmed that Ms. Tang will not be apportioned any fees relating to the matter. *Id.* PacBio additionally confirmed that it reiterated the screening instruction when Take2 filed the present lawsuit in December 2022. *Id.*

After providing the requested certification, PacBio did not receive any further complaints from Plaintiffs regarding the adequacy of the ethical screens or an intent to move for disqualification at the time. Opp. 5. However, after PacBio moved to transfer the action from the District of Delaware to the Northern District of California, Plaintiffs' counsel reminded PacBio of Ms. Tang's conflict with the additional remark that—if the matter is transferred to this district—it "reserve[d] its rights to pursue all available remedies . . . include[ing] the right to move to disqualify PacBio's legal department." Wise Decl., Ex. C ("Mar. 30 Letter"). PacBio proceeded with and prevailed on its transfer motion. ECF No. 61.

On September 20, 2023, Plaintiffs filed the instant motion to disqualify "PacBio's in-house legal department from representing PacBio in the Instant Action." Mot. 3.

II. LEGAL STANDARD

"The right to disqualify counsel is a discretionary exercise of the trial court's inherent powers." *Certain Underwriters at Lloyd's London v. Argonaut Ins. Co.*, 264 F. Supp. 2d 914, 918 (N.D. Cal. 2003); *Nat'l Grange of Ord. of Patrons of Husbandry v. California Guild*, 38 Cal. App.

5th 706, 713 (2019) ("Whether an attorney should be disqualified is a matter addressed to the sound discretion of the trial court."). Furthermore, the Court must "apply state law in determining matters of disqualification." *In re Cnty. of Los Angeles*, 223 F.3d 990, 995 (9th Cir. 2000).

Motions to disqualify counsel are subjected to "particularly strict judicial scrutiny," given the potential for tactical abuse. *Optyl Eyewear Fashion Int'l Corp. v. Style Companies, Ltd.*, 760 F.2d 1045, 1050 (9th Cir. 1985); *People ex rel. Dep't of Corps. v. SpeeDee Oil Change Sys., Inc.* ("*SpeeDee Oil*"), 20 Cal. 4th 1135, 1144 (1999) ("[J]udges must examine these motions carefully to ensure that literalism does not deny the parties substantial justice."). A disqualification motion involves a "conflict between the clients' right to counsel of their choice and the need to maintain ethical standards of professional responsibility." *Id.* However, "while the 'drastic measure' of disqualification is 'generally disfavored and should only be imposed when absolutely necessary,' '[t]he important right to counsel of one's choice must yield to ethical considerations that affect the fundamental principles of our judicial process.'" *Diva Limousine, Ltd. v. Uber Techs., Inc.*, 2019 WL 144589, at *3 (N.D. Cal. Jan. 9, 2019) (internal citation omitted).

III. DISCUSSION

The Court first considers whether Ms. Tang's conflict may be imputed to her "firm" under the CRPC before turning to the proper scope of any such disqualification.

A. Disqualification and Vicarious Imputation

PacBio does not appear to dispute that—given her past work at Perkins Coie relating to Take2—Ms. Tang may not work on any matters at PacBio that involve Take2, as evidenced by the internal ethical screens PacBio promptly implemented around Ms. Tang. *See, e.g.*, Jan. 24 Letter. The primary point of contention, therefore, is whether Ms. Tang's conflict may be imputed to other "lawyers [] associated in [her] firm." Cal. R. Prof. Conduct ("CRPC") 1.10(a).

The applicable framework for imputation of conflicts is set forth in Rule 1.10. *See Klein v. Facebook, Inc.*, 2021 WL 3053150, at *4 (N.D. Cal. July 20, 2021) (analyzing vicarious disqualification under CRPC 1.10(a) and its comments). Rule 1.10(a) begins by establishing a general imputation of conflicts to other lawyers associated in the same firm as the prohibited

lawyer. CRPC 1.10(a). The Rule then carves out two exceptions to the prohibition where the conflict arises from (1) the conflicted lawyer's personal interest or (2) the lawyer's association with a prior firm. CRPC 1.10(a)(1)–(2). Under the second exception, the CRPC does *not* impute conflicts to the firm if the lawyer (i) "did not substantially participate in the same or a substantially related matter," (ii) is "timely screened from any participation in the matter and is apportioned no part of the fee," and (iii) "written notice is promptly given to any affected former client." CRPC 1.10(a)(2)(i)–(iii). In reviewing "substantial participation," courts may consider several factors, such as "such as the lawyer's level of responsibility in the prior matter, the duration of the lawyer's participation, the extent to which the lawyer advised or had personal contact with the former client, and the extent to which the lawyer was exposed to confidential information of the former client likely to be material in the current matter." CRPC 1.10 cmt. 1; *Klein, Inc.*, 2021 WL 3053150, at *5 (addressing Comment 1 to Rule 1.10 in assessing prohibited layer's participation).

1. Implied Waiver

Before turning to the substantive analysis of Plaintiffs' motion, the Court first addresses and rejects Defendant's argument that Plaintiffs have implicitly waived their right to seek disqualification by delaying their motion. Opp. 8–10. Plaintiffs here made their motion as soon as the motion was available to them under the applicable rules of professional conduct, gave Defendant notice of the conflict within two weeks of filing their complaint, and take issue with a serious and undisputed conflict involving Ms. Tang's prior work on the very patent-in-suit. Defendant's reliance on the Court's prior holding in *Quicklogic Corporation v. Konda Technologies*, 618 F. Supp. 3d 873 (N.D. Cal. 2022), is misplaced, as that case involved a *lengthier* delay where the moving party gave *no indication* of a *potential* conflict. *Id.* at 882–83. On the present facts, however, the Court cannot find that Plaintiffs slept on their rights to bring the present motion when they moved to disqualify promptly after the action arrived in this district.

Additionally, to the extent that Defendant's implicit waiver argument rests on a "reasonabl[e] belie[f] that Plaintiffs had accepted the screening procedures it sought as adequate" when Plaintiffs did not follow up on Defendant's letter response, Opp. 5, such a theory would be

suspect under the facts and the relevant California Rule of Professional Conduct. Here, only about two months had lapsed between Defendant's January 24 Letter providing evidence of its ethical screens and Plaintiffs' March 30 Letter expressing their intent to seek disqualification in California, which somewhat undercuts Defendant's assertion of reliance. *Compare* Jan. 24 Letter *with* Mar. 30 Letter. Moreover, if Defendant wanted waiver assurances that it could rely on, Defendant was permitted to seek Plaintiffs' *affirmative* waiver by informed written consent. CRPC 1.10(c) ("A prohibition under this rule may be waived by each affected client under the conditions stated in rule 1.7."). Especially given the intimate and serious nature of the conflict in question, Defendant's implicit waiver arguments are unpersuasive.

2. Rule 1.10 and Substantial Participation

Although the CRPC's rule on conflict imputation is set forth at Rule 1.10, neither party cite—much less substantively analyze—Rule 1.10 in any of their briefs or during oral arguments, a somewhat disconcerting occurrence given the dramatic remedy that Plaintiffs request and that Defendant is called upon to oppose. Instead, the parties quarrel over the interpretation of the 1992 California Court of Appeal decision, *Henriksen v. Great Am. Sav. & Loan*, 11 Cal. App. 4th 109 (1992), and the 2010 decision, *Kirk v. First Am. Title Ins. Co.*, 183 Cal. App. 4th 776 (2010). *See* Mot. 7–8; Opp. 10–12; Reply 2–5.

Although Plaintiffs' motion relies heavily on *Henriksen* for the proposition that vicarious disqualification must occur as a matter of law without regards to ethical screening, 11 Cal. App. 4th at 116–17, this holding has since been substantially undermined by the California Supreme Court's decision in *SpeeDee Oil*, 20 Cal. 4th 1135 (declining to apply a rule that ethical screening could *never* rebut an imputation of conflicts). *See In re Cnty. of Los Angeles*, 223 F.3d 990, 995 (9th Cir. 2000) (analyzing *SpeeDee Oil* and how it had "recently cast doubt" on the *Henriksen* holding). More critically, both parties' dueling cases (*Henriksen* and *Kirk*) were expressly issued under an acknowledgment that vicarious disqualification was not settled law under the California Rules of Professional Conduct. *See Henriksen*, 11 Cal. App. 4th at 114 ("The California Rules of Professional Conduct do not specifically address the question of vicarious disqualification, and for

that reason the vicarious disqualification rules have essentially been shaped by judicial decisions."); *Kirk*, 183 Cal. App. 4th at 805 ("We agree with the Board of Governors that the issue of whether attorney screening can overcome vicarious disqualification in the context of an attorney moving between private law firms is not clearly settled in California law."). However, after Rule 1.10 went into effect on November 1, 2018, there is little reason why this Court should take up the parties' dispute over the interpretation of case law pre-dating the passage of a directly applicable Rule of Professional Conduct. *See Klein*, 2021 WL 3053150, at *4–9. Accordingly, the Court will analyze the conflict imputation under CRPC 1.10(a), instead of the cited case law.

Turning to the Rule 1.10(a)(2) exception analysis, the Court first notes that Defendant has proffered no evidence or argument to show that it is entitled to this exception. *See* Opp. 10–12. That said, even setting aside the lack of direct arguments and reviewing the evidence generally, the Court finds that Defendant would have been unlikely to demonstrate that Ms. Tang "did not substantially participate in the same or a substantially related matter," one of the three necessary requirements for this exception.[1] CRPC 1.10(a)(2)(i). Plaintiffs have proffered undisputed evidence that Ms. Tang was counsel at Perkins Coie, had "billed over 65 hours on behalf of Take2 preparing the instant lawsuit against PacBio," and had evaluated the specific '794 patent-in-suit and Take2's claim of infringement against PacBio. Wise Decl. ¶ 2. Although the number of hours Ms. Tang billed is not exceedingly high, the Court finds that—given her seniority and experience in "patent procurement, patent strategy counseling, [and] patent portfolio evaluation" (*see* Suppl. Decl. Michael Wise, Ex. E, ECF No. 87-1)—Ms. Tang would have likely performed substantive work on the matter and been exposed to confidential Take2 information when she analyzed the patent-in-suit and assessed the merits of Take2's infringement claim. By contrast, the only relevant remarks that Defendant and Ms. Tang offered about her prior employment were that she "never appeared as an attorney in litigation" and was "not a litigator." Tang Decl. ¶ 4.

[1] Although the Court need not reach the other required elements in Rule 1.10(a)(2), the Court notes that Ms. Tang appears to have been timely screened at PacBio and that the evidence is unclear as to whether "written notice [was] promptly given to [Take2]." CRPC 1.10(a)(2)(ii)–(iii).

While helpful context, these remarks notably do not contain any comments on Ms. Tang's prior Take2 representation nor do they dispute any of the facts proffered by Perkins Coie. Given the lack of evidence from Defendant, as well as Plaintiffs' affirmative evidence of Ms. Tang's participation while at Perkins Coie, the Court cannot find that Ms. Tang "did not substantially participate in the same or a substantially related matter" for the purposes of Rule 1.10(a)(2).

Accordingly, the conflict imputation at Rule 1.10(a) remains effective, and Ms. Tang's conflict with respect to Take2 extends to all lawyers with whom she is "associated in a firm."

B. Scope of Disqualification

Having determined that Ms. Tang's conflict may be imputed in this action, the Court turns next to the scope of imputation and disqualification. If Ms. Tang were an attorney at a conventional law firm, the scope of disqualification would be her entire firm. *See, e.g.*, *Klein*, 2021 WL 3053150; *Diva Limousine, Ltd. v. Uber Techs., Inc.*, 2019 WL 144589 (N.D. Cal. Jan. 9, 2019). However, Ms. Tang's current employment as in-house counsel for a private litigant warrants a more nuanced and cautious approach to the proper scope of disqualification.

To begin, neither Plaintiff nor the Court has been able to identify a California case where an in-house counsel or department was vicariously disqualified under Rule 1.10 or otherwise. Without any guidance on the mechanics for in-house vicarious disqualification, the Court turns again to Rule 1.10, which provides that "[w]hile lawyers are associated *in a firm*, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so." CRPC 1.10(a) (emphasis added). The CRPC defines a "firm" as, *inter alia*, "lawyers employed . . . in the legal department, division or office of a corporation." CRPC 1.01(c). Taking these two sections together, the operative prohibition in Rule 1.10 would read: "While lawyers are associated [as lawyers employed in the legal department, division or office of a corporation], none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so." Despite the slightly stilted wording, Rule 1.10 appears to permit an imputation of conflicts among associated in-house counsel within a corporation.

The Court, however, is reluctant to "disqualify" every in-house lawyer at PacBio. Such a

sweeping order would be too strong a medicine for a purported affliction that even Plaintiffs concede would be acceptable under the ABA's Model Rules of Professional Conduct. *See* Reply 5 ("Plaintiffs could not have in good faith filed the present Motion in the District of Delaware because the rules requiring disqualification here, are not applicable in the District of Delaware."). Moreover, the somewhat awkward fit of the "lawyers employed in the legal department, division or office of a corporation" definition into the language of Rule 1.10 leaves open some possible constructions whereby the conflict is imputed only to other lawyers "*associated*" with the conflicted lawyer and *within* her specific department, division, or office of the in-house legal team. In the absence of prior California or federal cases that have disqualified in-house legal counsel, the Court will exercise its discretion to order only the disqualification of a narrower scope of individuals within PacBio's in-house legal department, specifically those lawyers that share some association with Ms. Tang other than mere employment by PacBio.

Although the Court recognizes that this remedy would call for additional facts relating to PacBio's internal legal operations, the Court believes that a tailored and fact-specific approach is warranted where the disqualification purports to apply to in-house counsel. This consternation is shared by the California State Bar's Committee on Professional Responsibility & Conduct ("Committee"). As of the date of this Order, the Committee is deliberating a draft ethics opinion that would offer guidance on conflicts of interest that arise when an in-house lawyer moves from one company to another, including a discussion of Rule 1.10 screening in the patent context. *See* State Bar Cal. Comm. Prof. Responsibility Conduct, "In-House Counsel Draft Opinion," 21-0003 (Oct. 20, 2023), https://board.calbar.ca.gov/docs/agendaItem/Public/agendaitem1000031696.pdf. Notably, during one of their public discussions on draft opinion 21-0003, the Committee members expressed reluctance towards the prospect of vicariously disqualifying an entire company's in-house legal department. *See* The State Bar of California Meetings, *Comm. Prof. Responsibility & Conduct 6-23-23*, YouTube (Jun. 28, 2023), at 48:30 ("You can't disqualify a . . . company's legal department, you know. That doesn't make any sense. . . . I think that the disqualification analysis where there's, you know, automatic vicarious disqualification can't apply in an in-house setting

and . . . there has to be a flexible approach."), https://www.youtube.com/watch?v=m_U7f6daLgs. If and when this draft ethics opinion is published, the Court would have the benefit of the Committee's analysis and guidance. *See, e.g.*, *Lennar Mare Island, LLC v. Steadfast Ins. Co.*, 105 F. Supp. 3d 1100, 1107 (E.D. Cal. 2015) ("When faced with ethical disputes, courts may also look to ethics opinions from California and other jurisdictions."). Currently, however, the Court cannot accord any authoritative weight to the Committee's deliberations of the 21-0003 opinion and merely cites this discussion to highlight the far-reaching consequences of Plaintiffs' requested disqualification, as well as the prudence behind a fact-driven scope of disqualification.

That said, neither party has presented the necessary facts and evidence for the Court to fashion an appropriate remedy for the imputed in-house disqualification. Accordingly, the Court ORDERS the parties to meet-and-confer as to an acceptable scope and method of disqualification within PacBio's in-house legal organization. The parties SHALL submit a joint stipulation with a proposed order containing the preventative measures the Court should order PacBio to implement. The proposed measures shall effectuate the disqualification within PacBio's legal department no more than absolutely necessary and must be "prophylactic, not punitive," in nature. *California Self-Insurers' Sec. Fund v. Superior Ct.*, 19 Cal. App. 5th 1065, 1079 (2018). The Court will further note that the parties may discuss an arrangement that involves Plaintiff Take2's waiver of the imputed conflict pursuant to CRPC 1.7. *See* CRPC 1.10(c).

If the parties are unable to arrive at a joint stipulation, they may submit a joint statement containing separate proposals to the Court. The joint statement shall be accompanied by evidence or declarations regarding PacBio's in-house legal department that would permit the Court to determine the scope and means of the disqualification. The evidence submitted should be sufficient to establish, at a minimum, the following: (1) the approximate size of PacBio's legal department; (2) Ms. Tang's current position and role in PacBio's legal organization, including how many attorneys she manages and who she reports to; (3) the relation of Ms. Tang's role and team to the in-house litigation team handling the present action, including the frequency and topic of any interactions; (4) all existing preventative measures to screen Ms. Tang from other PacBio

attorneys; (5) identification of the primary PacBio liaisons with outside defense counsel for this matter; (6) identification of all members of PacBio's in-house legal department with whom Ms. Tang has communicated about the subject of the present matter, including discussions for conflict purposes; and (7) identification of any teams or individuals in PacBio's legal organization that have had *no* contact or interactions with Ms. Tang.

IV. CONCLUSION

Based on the foregoing, Plaintiffs' motion to disqualify is GRANTED IN PART and DENIED IN PART. Ms. Tang is disqualified from representing Defendant PacBio in the present matter, as is any lawyer who is associated with Ms. Tang in the same "department, division or office." The parties are ORDERED to meet-and-confer as to an acceptable arrangement for the imputed disqualification within PacBio's internal legal organization, no later than 14 days from the date of this Order. No later than 21 days after this Order, the parties SHALL submit a joint proposal or a joint statement (not to exceed 15 pages in length) setting forth separate proposals accompanied by the evidence the Court highlighted above.

With respect to a stay of discovery referenced in the parties' joint case management conference statement, no party has formally moved or stipulated for such a stay. However, given the findings and determinations in this Order, the Court STAYS discovery until the parties have submitted their joint proposals to the Court and the Court has issued a subsequent order effectuating the disqualification found in this Order.

IT IS SO ORDERED.

Dated: November 6, 2023

EDWARD J. DAVILA
United States District Judge

United States District Court
Northern District of California